

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Approval of Minutes of the July 8, 1998 and
July 9, 1998 Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 2

ACTION: X

DATE OF MEETING: August 5, 1998

INFORMATION: _____

PRESENTER(S): Chairperson

Proposed minutes of the Investment Committee Meeting held in open session July 8, 1998 and July 9, 1998 are submitted on the following pages.

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
STATE TEACHERS' RETIREMENT SYSTEM
JULY 8, 1998
OPEN SESSION
ROBYN D. MILLER BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
Yvonne Gallegos Bodle
George Fenimore
Marty Mathiesen
Michael Mayer
Lillian Raffel
Emma Zink
Fred Buenrostro, representing State Controller
Kathleen Connell
Richard Whitmore, representing Superintendent
of Public Instruction, Delaine Eastin
Christine Drevalas, representing State Treasurer Matthew Fong
Robin Dezember, representing State Director
of Finance, Craig Brown

ALSO PRESENT

James Mosman, Chief Executive Officer
Patrick Mitchell, Chief Investment Officer
Ian Lanoff, Fiduciary Counsel
Chris Waddell, Chief Counsel
Doug Wills, Staff Counsel
Mitch Pleis, Director of Real Estate
Michelle Cunningham, Director of Fixed Income
Real Desrochers, Director of Alternative Investments
Steven Tong, Director of Internal Equities
Richard Rose, Investment Officer
Allan Emkin, Pension Consulting Alliance
Terri Sander, Pension Consulting Alliance
Sharon Peake, Watson Wyatt Worldwide
Dorothy Moser, United Teachers Los Angeles, Retired
Mary Ann Avansino, Executive Assistant

A quorum being present, Chairperson Lynes called the open session meeting to order at 11:45 a.m.

- I. **ANNOUNCEMENTS** (Item 2)
Chairperson Lynes announced that Item 7 and Item 8 would be considered at the conclusion of all other items.
- II. **APPROVAL OF MINUTES OF JUNE 3, 1998 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)
MOTION duly made by Mr. Fenimore, seconded by Ms. Zink and carried to approve the minutes of the June 3, 1998 Investment Committee, Open Session as presented.
- III. **ALTERNATIVE INVESTMENTS - POLICY AND PROCEDURES** (Item 4)
Messrs. Mitchell and Desrochers presented the Policy and Procedures Manual reflecting changes recommended by the Investment Committee.

MOTION duly made by Ms. Bodle, seconded by Mr. Fenimore and carried to adopt a resolution approving the Alternative Investment Policy and Procedures as amended to include: 1) identification of the benchmark, 2) requirement for an annual business plan, and 3) a requirement for semi-annual performance reporting by consultant. Mr. Buenrostro voted no.
- IV. **REAL ESTATE - POLICIES AND PROCEDURES** (Item 5)
Messrs. Mitchell and Pleis presented the Policy and Procedures Manual reflection changes recommended by the Investment Committee.

MOTION duly made by Mr. Mathiesen, seconded by Mr. Fenimore and carried to adopt a resolution approving the Real Estate Policy and Procedures Manual as amended to include: 1) identification of the benchmark, 2) a requirement for an annual business plan, and 3) a requirement for semi-annual performance reporting by consultant. Mr. Buenrostro voted no.
- V. **REAL ESTATE - DISCRETION ALTERNATIVES** (Item 6)
Ms. Sander discussed investment and management oversight as well as hypothetical examples of levels of discretionary authority.

Chairperson Lynes recessed the meeting at 12:40 p.m.
The meeting reconvened at 1:05 p.m.

Mr. Mitchell presented Board members with a STRS PRIDE plaque symbolizing Perseverance, Responsibility, Integrity, Determination and Excellence.
- VI. **CREDIT ENHANCEMENT - ACTIVITY STATUS REPORT** (Item 9)
Mr. Rose presented the written report.
- VII. **REAL ESTATE - ACTIVITY STATUS REPORT** (Item 10)
Mr. Pleis presented the written report.
- VIII. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 11)
Mr. Mitchell presented the written report and discussed the executive summary of action taken under delegation, WCAS VIII, L. P. investment increasing the commitment an additional \$50 million from \$250 million to \$300 million.
- IX. **QUARTERLY LITIGATION REPORT** (Item 12)

Mr. Waddell presented the written report.

X. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 13)

Mr. Mitchell discussed the written report. Mr. Mitchell reported that the successful firms for Domestic Equity Managers in the Enhanced Index style are Barclays' Global Investors, DSI International Management, Inc., Mellon Capital Management Co. and State Street Global Advisors. Mr. Mitchell also further reviewed the potential drop in Cash Inflow, Contribution & misc. receipts (Attachment 1, page 1) due to Elder Full Funding.

XI. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 14)

There were no statements from the public.

XII. **MOVE TO CLOSED SESSION**

Chairperson Lynes recessed the meeting and moved directly to closed session at 1:35 p.m.

The open session meeting reconvened at 2:47 p.m.

XIII. **1998 INVESTMENT MANAGEMENT PLAN** (Item 7)

Messrs. Mitchell, Emkin and Ms. Peake discussed the history of the fund, actuarial principles, actuarial valuation process, asset allocation, investment objectives, investment benchmarks and investment structure. Discussion ensued.

Chairperson Lynes recessed the meeting at 3:58 p.m.

The meeting reconvened at 4:05 p.m.

Mr. Mitchell discussed the draft of the 1998 Investment Management Plan. Discussion continued.

Chairperson Lynes recessed the meeting at 5:15 p.m. and announced that the open session meeting would reconvene at 8:30 a.m. on July 9, 1998.

James D. Mosman, Chief Executive Officer and Secretary to the
Teachers' Retirement Board

Gary Lynes, Chairperson

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
STATE TEACHERS' RETIREMENT SYSTEM
JULY 9, 1998
OPEN SESSION
ROBYN D. MILLER BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
Yvonne Gallegos Bodle
George Fenimore
Marty Mathiesen
Lillian Raffel
Emma Zink
Fred Buenrostro, representing State Controller
Kathleen Connell
Richard Whitmore, representing Superintendent
of Public Instruction, Delaine Eastin
Wen Hong, representing State Treasurer Matthew Fong
Robin Dezember, representing State Director
of Finance, Craig Brown

ALSO PRESENT

James Mosman, Chief Executive Officer
Patrick Mitchell, Chief Investment Officer
Chris Waddell, Chief Counsel
Mitch Pleis, Director of Real Estate
Michelle Cunningham, Director of Fixed Income
Real Desrochers, Director of Alternative Investments
Steven Tong, Director of Internal Equities
Dorothy Moser, United Teachers Los Angeles, Retired
Mary Ann Avansino, Executive Assistant

A quorum being present, Chairperson Lynes reconvened the open session meeting at 8:35 a.m.

I. **1998/99 INVESTMENT BRANCH OBJECTIVES** (Item 8)

Messrs. Mitchell, Pleis, Desrochers, Tong and Ms. Cunningham discussed strategy, historical overview, current status, performance measurement, key issues, implementation objectives and staffing issues for each of the asset categories. The Directors then presented and discussed the 1998/99 objectives for their asset categories.

The Committee directed Staff to formulate an Investment Branch policy reflecting the general investment philosophy as recommended by Cortex.

The Committee directed Staff to create a timeline showing the objective on a monthly basis.

Ms. Moser asked about planned changes to the Home Loan Program and how the program compared to the PERS program. Mr. Mitchell responded that plans were to increase the number of providers to make the program more accessible to teachers in all parts of the state. He stated that one difference in the PERS and STRS program is that PERS uses an intermediary to facilitate the implementation of their program.

II. **ADJOURNMENT**

There being no further business to conduct, Chairperson Lynes adjourned the meeting at 9:40 a.m.

James D. Mosman, Chief Executive Officer and Secretary to the
Teachers' Retirement Board

Gary Lynes, Chairperson